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SUBJECT: IF WE BUILD IT WILL THEY COME? NORTHERN THAILAND AND THE
GMS'S KUNMING-BANGKOK CORRIDOR

REF: A. 07 CHIANG MAI 166 (GATEWAY OR SPEED-BUMP? NORTHERN THAILAND AND THE KUNMING-BANGKOK CORRIDOR)
[1](#)B. 08 CHIANG MAI 169 (CROSS-BORDER MOVEMENT EXPANDS WITH R3A HIGHWAY)
[1](#)C. CHIANG MAI 57 (GMS: ROADBLOCKS ON NORTH-SOUTH CORRIDOR)
[1](#)D. D. CHIANG MAI 67 (GMS: SOUTHEAST ASIA'S BACKDOORS TO TRADE WITH CHINA)

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Summary and Comment

[1](#)1. (SBU) Projects in northern Thailand's Chiang Rai province to improve the Greater Mekong Subregion's (GMS) north/south economic trade corridor between southern China and central Thailand continue to move forward. A new bridge over the Mekong River at Chiang Khong, the last link for the Kunming-Bangkok R3A highway corridor, is scheduled to be completed in the next two years. Further upriver, the construction of a new Mekong River port in Chiang Saen and the opening of a new customs house in Mai Sai, both of which have considerable excess capacity, indicate what may be an overly optimistic hope for the growth in trade between southern China and Thailand. Residents on Thailand's side of the Mekong continue to voice concerns about the possible environmental and social impacts from unchecked growth and construction, mostly falling on deaf ears. Meanwhile, northern Thai business leaders are of two minds: hopeful about the increased opportunities in trading with China, but concerned that it will all be in one direction, north to south.

[1](#)2. (SBU) Comment: Northern Thailand pins high hopes on realizing economic growth from development of trade routes within the Greater Mekong Subregion (GMS). In pursuit of this, the development of trade infrastructure along the northern Thai border with Laos and Burma -- such as river ports, customs houses, and bridges -- is the most visible step toward increasing Thai-Chinese overland and riverine trade through the North. Thailand has already seen increased bilateral trade with China in recent years, mostly in agricultural goods, though the balance of trade favors China. If northern Thailand's entrepreneurs can find a way to break into the vast market of southern China, the rewards could be immense. End Summary and Comment

Visit to the "Golden Gateway"

[1](#)3. (SBU) Econoff and EconLES traveled to Chiang Rai province's border cities of Chiang Khong, Chiang Saen, and Mai Sai October 29-30. The province, which lies at the heart of the Greater Mekong Subregion's (GMS) north/south corridor linking southern China to Bangkok, aspires to be Thailand's "golden gateway" for trade with inner China (Ref A). The Thai and Chinese governments have spent, and continue to spend, significantly on new and existing roads, bridges, and land and river ports in hopes of increasing the volume of trade between

southern China and central Thailand. We spoke with businesspeople, government officials, and residents to track the progress of these projects and to understand their hopes and concerns.

New Bridge at Chiang Khong Will Complete R3A Corridor

14. (SBU) Chiang Khong -- on Thailand's Mekong River border with Laos -- has two ports. The first port is located in town. It is primarily used for ferrying passengers and cars back and forth across the Mekong between Thailand and Laos. The second port, located a few kilometers from town, is used primarily for loading and off-loading goods borne by river from China and, since there is no bridge across the Mekong in Chiang Khong, for ferrying trucks across the Mekong. The second port, however, is unable to operate during the dry season when the Mekong River is

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at its lowest level. This forces all goods to be routed through the passenger port in town, requiring freight trucks to navigate narrow and crowded streets. This in turn limits the capacity of the Chiang Khong port district during the dry season (January-April), and increases the time required to move goods along the GMS's R3A highway corridor linking Kunming and Bangkok. (Note: see Refs B-D for more reporting on movement of goods and people along the GMS north/south corridors).

15. (SBU) The problem of ferrying trucks across the Mekong River at Chiang Khong will be alleviated with the construction of a new bridge that will complete the R3A land link in its entirety. China and Thailand will split the cost of the bridge (funding has already been allocated), and contractors from both countries will be involved in the work. Bridge construction is scheduled to begin early in 2010 and be completed within 18 months. Thailand also plans to build a new customs house at the site, but funding has not yet been allocated.

Local Environmentalists Voice Their Concerns

16. (SBU) 25 years ago, Chiang Khong residents recognized the environmental impact increased trade and tourism could bring to their region. They formed the Rak Chiang Khong Council to monitor these impacts and voice the community's concerns. In 1995 the Council designated its first "Community Forest" to protect it from the impact of increased tourism. The Council has gone on to form the Mekong Lanna Natural Resources and Conservation Network (MLNCCN). This network, which includes five local districts with a combined population of about 40,000 people, has been a strong voice for protecting the rights and land of the residents.

17. (SBU) The group's most recent action was to mount opposition to the Chinese government's plan to clear the Mekong River of rock formations in 21 different locations from southern China to Chiang Khong. These rock formations slow navigation and prevent larger transport vessels from using the river. The MLNCCN voiced its concerns about the possible ill effects this would have on local fishermen. However, the protests fell on deaf ears in both the Thai and Chinese governments, and removal of the rock formations was carried out. The project was finally stopped at the 21st and final location in Chiang Khong -- not because of any actions by the MLNCCN, but due to a border demarcation issue. The Thai and Lao governments were concerned that exploding the final rock formation could change the border designation between their countries. Removal of the final rock formation has been put on hold indefinitely until this issue can be resolved.

18. (SBU) Chiang Khong civic activists have also raised concerns about several dams China has been building upriver in southern China. They fear the dams will give the Chinese government control over the Mekong's water level, leaving them without a voice on potential ill effects downstream on local fishermen's livelihoods and flooding levels.

Welcome to Our New 100-Year Port. Do You Think We Overbuilt It?

19. (SBU) Upriver in Chiang Saen, the Thai's have begun construction on a new state-of-the-art river port. The facility is to be completed in 2011. This has triggered construction to expand existing roads connecting this new port to the R3A highway leading to seaports outside Bangkok. The new port lies outside of town and will take traffic from the existing river port in the city, which will then be used primarily for passenger service. The new facility is expected to employ 1000 workers once in service. Some locals question the need for the

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new port at all, considering that Chiang Saen's existing port is more than capable of handling current cargo volumes. In private conversations, port authority officials have referred to the new port as the "100-years port," insinuating that it will be 100 years before trade in the region will increase enough to use the new port to its full capacity.

New Mai Sai Customs House Open for Business. Is There Anyone Out There?

10. (SBU) Mae Sai sits on Thailand's border with Burma, astride the second major GMS north/south corridor, the R3B highway. The new Mai Sai Customs House facility is quite large, covering several dozen acres, and has several large administrative buildings, including staff housing. The facility has seven truck lanes and the latest equipment, including a portable X-Ray truck scanner. However, the 345 million baht (USD 10.35 million) facility currently uses only one of the seven inspection lanes, handling approximately 40 trucks per day. The average wait to complete the entire customs process is five minutes.

Chiang Rai, Sitting at the Dragon's Gate

11. (SBU) Chiang Rai Chamber of Commerce leaders expressed concern to us over the amount of new investment China is making in Laos. They feel Lao is becoming a "puppet" of China in its desire to attract investment from the regional economic super power, and believe China is planning to use Laos as a launching point for trade from southern China to the other ASEAN countries.

12. (SBU) The Chamber also expressed concern that increased trade with China will all be in one direction, north to south, with little benefit to local Thai businesses. The Thai must find effective ways to protect their interests, they said, or risk being passed over by the Chinese.

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